

FARMLAND PRESERVATION TAX CREDIT
(Corporate Farm Owners, Estates and Trusts)**C-8022****PART 1 - IDENTIFICATION**

1. NAME AND ADDRESS (No. and Street, City, State, ZIP)	▶ 2. FEDERAL EMPLOYER ID NUMBER (FEIN)
	▶ 3. TAX YEAR OF CLAIM MO. YR.
	▶ 4. FIRST YEAR UNDER AGREEMENT MO. YR.

If you have agreements entered into on or after January 1, 1978, determine your qualification by using the formula in Part 2, line 9 or line 14. Once you elect a qualification formula, all future claims must be filed using that formula.

PART 2 - GROSS RECEIPTS QUALIFICATION (If all contracts were entered into before Jan 1, 1978 go to Part 3.)

	A. 1st Year	B. 2nd Year	C. 3rd Year	D. 4th Year	E. 5th Year
5. Years preceding the claim year.....					
6. Property taxes on enrolled land.....					
7. Multiply line 6 X 5.....					
8. Agricultural gross receipts.....					
9. <input type="checkbox"/> Check here if line 8 is greater than line 7 in at least three of the five years preceding claim year AND you elect this qualification.					
10. Property taxes on enrolled land in the first year under contract.....				10. _____	
11. Multiply the property taxes on line 10 x 5.....				11. _____	
12. Agricultural receipts for averaging. Enter total of line 8 columns A, B, and C.....				12. _____	
13. Average gross receipts. Divide line 12 by 3.....				13. _____	
14. <input type="checkbox"/> Check here if line 13 is greater than line 11 AND you elect this qualification					

PART 3 - TAXES THAT CAN BE CLAIMED FOR CREDIT AND ALLOCATION TO EACH AGREEMENT

Complete columns A through D and lines 16 through 27. If you have more than one agreement, complete columns E and F. Attach copies of property tax statements for all land under agreements. Be sure the corresponding agreement number is on each tax statement.

A	B	C	D	E	F
Agreement Number	Date of Agreement	Amount of Tax From Each Tax Statement	Total Tax For Each Agreement	Divide Each Amount in Column D by Total on Line 15f, Column D	Allocated Tax Credit Multiply Line 27 by Percentage in Column E
15a. _____					
b. _____					
c. _____					
d. _____					
e. Total of columns C, D, E and F.....					

16. Taxes from column D on land enrolled after December 31, 1977.
Enter zero unless you checked the box on line 9 or line 14.▶ 16. _____

17. Taxes from column D on land enrolled before January 1, 1978.▶ 17. _____

18. Taxes qualifying for credit. Add lines 16 and 17.▶ 18. _____

PART 4 - TAXES THAT CANNOT BE CLAIMED FOR CREDIT

19. Taxable income from *U.S. 1120*, ordinary income from *U.S. 1120S*, or adjusted total income from *U.S. 1041* (see instructions)..... ▶ **19.** _____
20. Depletion allowance claimed on your federal income tax return..... ▶ **20.** _____
21. Capital and net operating loss carryforwards and carrybacks..... ▶ **21.** _____
22. Compensation and director fees of active shareholders (from C-8000KC, line 6)..... ▶ **22.** _____
23. Compensation and director fees of officers (from C-8000KC, line 7)..... ▶ **23.** _____
24. Compensation of shareholders other than those who are officers or active (see instructions)..... ▶ **24.** _____
25. Total. Add lines 19 through 24..... 25. _____
26. Taxes that cannot be claimed for credit. Multiply line 25 by 7% (.07)..... 26. _____

PART 5 - CREDIT

27. Farmland Property Tax Credit. Subtract line 26 from line 18.
If line 26 is greater than line 18, enter zero..... ▶ **27.** _____
28. Amount of credit applied to SBT liability. Enter here the lesser of line 27 or the amount on your C-8000, line 50. Enter this amount on your C-8000, line 52..... ▶ **28.** _____
29. Amount of credit to be REFUNDED. Subtract line 28 from line 27..... ▶ **29.** _____

PART 6 - SIGNATURE

Taxpayer's Declaration <i>I declare, under penalty of perjury, that this return is true and correct to the best of my knowledge.</i> <input type="checkbox"/> I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Do not discuss my return with my preparer.		Preparer's Declaration <i>I declare, under penalty of perjury, that this return is based on all information of which I have any knowledge.</i>	
Taxpayer's Signature		Preparer's Signature	Date
Date		Business Address, Phone and ID Number	
Title			

If this credit is applied to your SBT liability, attach this claim to the front of your C-8000. Otherwise mail to:

**Farmland Preservation Unit
Michigan Department of Treasury
P.O. Box 30058
Lansing, Michigan 48909**

Instructions for the Farmland Preservation Credit for Corporate Farm Owners, Estates and Trusts (form C-8022)

What is the Farmland Preservation Credit?

The Farmland Preservation Tax Credit gives back to farmland owners a share of the property tax they pay on their farmland. Farmland owners qualify for credit by agreeing to keep the land as farmland and not develop it for another use.

Do I qualify for the Farmland Preservation Credit?

You qualify if you meet ALL these requirements:

- You own farmland.

AND

- You have entered into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Natural Resources (DNR).

If you have agreements entered into on or after January 1, 1978, you must meet the gross receipts qualifications in Part 2.

What is a Farmland Development Rights Agreement?

Through an FDRA you receive property tax relief in return for your pledge not to change the use of your lands.

Be careful: The FDRA restricts development of your land. Before making any changes to property covered under this agreement or to its ownership, consult the DNR. Some changes may make your property ineligible for credit.

Important Note: S-corporations may file under Michigan Income Tax instead of Single Business Tax. Shareholders of an S-corporation should prorate taxes on land owned by the S-corporation based on their percent of ownership.

Which form should I file?

The following should file using form C-8022:

- estates, include property taxes from the date of death and farm income required to be reported on your *U.S. 1041*.
- corporations (other than S-corporations).
- S-corporations that had an FDRA before January 1, 1989 and in 1991 elected to file form C-8022.
- trusts, except as noted below.

The following should file using the MI-1040CR-5:

- individuals who own a farm independently.

- representatives of deceased single persons. Include property taxes and income from January 1 to the date of death.
- partnerships.
- joint owners.
- S-corporation shareholders, **except** shareholders of S-corporations that had an FDRA before January 1, 1989 and in 1991 elected to file under the Single Business Tax Act on form C-8022.
- grantor trusts (if you are treated as an owner under Internal Revenue Code, Sections 671 to 679).
- trusts created by the death of a spouse if the trust requires 100 percent of the income from the trust to be distributed each year to the surviving spouse.

If you need an MI-1040CR-5 form, call 1-800-FORM-2-ME (367-6263).

How do I claim the credit?

Complete the attached form C-8022. If you are applying this credit to your SBT liability, attach it to your *Single Business Tax Annual Return* (form C-8000). Attach a copy of page 1 of your *U.S. 1120* or *1041* and copies of all the federal schedules you completed for your federal tax return. You must also include the following:

1. A copy of your 1997 property tax statement(s) with corresponding agreement numbers listed on each.
2. A copy of the receipt showing that your 1996 or 1997 property taxes were paid. If your property taxes have not been paid or you do not attach your receipt(s), Treasury will mail a check made jointly payable to the corporation, estate or trust and the county treasurer for the county where the property is located. (A new check payable only to the corporation, estate or trust will not be issued if you later prove that the taxes had been paid.)
3. If your property tax statement includes property that is not covered under an FDRA, you must show what portion of your total acreage and property tax is for land enrolled in the FDRA. Your local equalization officer or your local assessor must give you this information on official letterhead if it is not listed separately on your property tax bills.

When can I claim a new agreement?

New agreements must be approved by your local government by November 1, 1997 for you to claim a 1997 credit. But your FDRA is not final until you receive a copy from the DNR that has been recorded at the Register of Deeds. Credit for the new FDRA will not be allowed unless a copy of the recorded agreement is attached to the return. If you don't get your notice before April 30th, file your return without that agreement. File a new C-8022 with an *Amended Single Business Tax Return* (C-8000X) when you have your FDRA.

What do I do with a jointly payable check?

Take the check, check stub and a copy of your FDRA(s) to your county treasurer(s). He or she will have you endorse the check and then use the refund to pay any delinquent taxes. Any remaining amount will be returned to you.

What property taxes can be claimed for credit?

The property taxes levied in 1997 on enrolled land are eligible for the 1997 credit, regardless of when they are paid.

General ad valorem property taxes that were levied in 1997 including collection fees up to 1 percent of the taxes can be claimed for credit. Special assessments (those not based on state equalized value), penalties and interest cannot be claimed.

If you have entered into more than one agreement with the DNR, the sum of the taxes under each agreement is used to compute your credit. The amount of credit you will receive is based on adjusted business income. Taxes levied on rental property cannot be claimed for credit unless the tenant is involved in the farm operation.

What if the land is owned by an S-corporation?

Beginning with credits for 1988, taxes on land owned by an S-corporation are allocated to each shareholder based on their share of the corporation's stock. **Exception:** If the S-corporation had an FDRA before 1989 and in 1991 elected to file under the Single Business Tax Act on form C-8022, the S-corporation must continue to file under the SBT. If the FDRA was not in the S-corporation's name before January 1, 1989, the taxes on land covered by this agreement must be claimed on the shareholder's Michigan income tax on form MI-1040CR-5. The shareholders must claim these taxes even if the S-corporation elected to file form C-8022 for other agreements that

the S-corporation entered into before January 1, 1989.

I purchased a farm in 1997 that was already enrolled in the program.

How do I claim a credit?

Your farmland credit will be processed only if there is a farmland agreement on file with the DNR **IN THE SAME NAME AS YOUR DEED**. You must prorate the 1997 taxes for the period you owned the land and claim your credit based on those taxes only.

Line-by-Line Instructions

Lines not listed are explained on the form.

Part 1: Identification

Line 3: Tax year of claim - Enter the ending month and year of your annual accounting period in which this credit is claimed.

Example: A participant with a tax year ending December 31 claims a credit for the 1997 property taxes in the tax year ending in December 1997.

Line 4: First year under FDRA- If you entered into agreements on or after January 1, 1978, enter the ending month and year of the accounting period in which you first entered into this agreement. (Example: A participant with a tax year ending December 31, enters into an agreement January 5, 1990. The first year under the agreement is the year ending December 1990).

Part 2: Gross Receipts Qualification

Applies only to agreements entered into on or after January 1, 1978.

If you entered into agreements on or after January 1, 1978, you must determine your eligibility for a farmland credit using one of the two qualification formulas provided below. If all your agreements began before January 1, 1978, go directly to Part 3.

IMPORTANT - Once you elect a qualification formula, all future claims must be filed using that formula.

• **Total receipts formula (line 9)** - This formula compares your agricultural gross receipts to your property taxes on the enrolled land in each of the tax years preceding the tax year of this claim. If your gross receipts are more than five times your property taxes in at least three of the five tax years, you may use this formula.

• **Average receipts formula (line 14)** - This compares the average of your agricultural gross receipts for three tax years preceding the tax year of this claim

to your property taxes on the enrolled land in the first year under the agreement. If your average receipts are more than five times your property taxes in the first year, you qualify under this formula.

Line 5: Years preceding claim year - Enter each of the years immediately preceding the claim year. Enter the most current year in the First Year column.

Line 6: Property taxes on enrolled land - Enter the property taxes for each year reported on line 5 that are attributable to land enrolled on or after January 1, 1978. **Do not include** property taxes on land enrolled before January 1, 1978, or property taxes on structures or any other lands not enrolled in an FDRA.

Line 8: Agricultural gross receipts - Enter the agricultural gross receipts for the tax years immediately preceding the tax year of this claim. Agricultural gross receipts are receipts from the business of farming as defined in the Internal Revenue Service Regulation 1.175-3. (Also see *Revenue Administrative Bulletin 89-47, Agriculture Exemption.*)

If your farm operation was incorporated during this 5-year period and the ownership before and after date of incorporation is identical, you may report gross receipts for all five tax years. If the ownership changed, enter gross receipts only for those tax years since incorporation.

Line 9: Total receipts formula - If the agricultural gross receipts on line 8 are more than the increased property taxes on line 7 in at least three of the five tax years and you elect this qualification, check the box.

Line 14: Average receipts formula - If the average gross receipts on line 13 are more than the increased property taxes on line 11 and you elect this qualification, check the box.

Part 3: Taxes That Can Be Claimed for Credit

List each agreement number and the amount of tax from the property tax statements in columns A through D. Next complete lines 16 through 27. Then complete columns E and F if you have more than one agreement. List the corresponding agreement number on each property tax statement and attach copies of the tax statements to your return.

Column A - Enter the farmland preservation agreement number assigned by the DNR. If a contract has a part A, B or C etc., each part is treated as an individual agreement and must be listed separately. If an agreement has been extended, be sure to use the new agreement number.

Column B - Enter the date each agreement was entered into.

Column C - Enter the amount of tax on land and structures under agreement from each tax statement (do not include penalties, interest or special assessments). Collection fees may be included. If you are a joint owner, enter only your share of taxes.

Column D - After entering all of the tax statements for one agreement, add the amounts entered in column C for that agreement and enter the total once in column D.

Line 16: Taxes on land enrolled after December 31, 1977. If you qualify under one of the gross receipts formulas (line 9 or 14), enter the taxes from column D on land and structures enrolled after December 31, 1977. Otherwise, enter zero.

Part 4: Taxes That Cannot Be Claimed for Credit

If you file a *Single Business Tax Annual Return* (form C-8000), the amounts used in this computation are available on your return and schedules. If you do not file an SBT annual return, complete the form C-8000KC and attach it to this claim.

Enter on lines 19 through 24 the amounts for the tax year of this claim (the year entered on line 3).

Line 19: Income - Enter the amount from your *U.S. Corporation Income Tax Return (U.S. 1120)*, *U.S. Income Tax Return for an S-corporation (U.S. 1120S)* or *U.S. Fiduciary Income Tax Return (U.S. 1041)*. This amount can be less than zero

Line 24: Compensation of other shareholders - Enter the sum of compensation from C-8000KC, column K, for each shareholder who is not an officer or active shareholder.

If you have entered into more than one agreement, complete columns E and F before starting Part 5.

Part 3, Column E - Divide each amount in column D by the total on line 15f, column D and enter the percent in column E.

Part 3, Column F - Multiply line 27 by percent computed in column E and enter in column F.

Call 1-800-FORM-2-ME (367-6263) if you need more forms.

Mail to:

***Farmland Preservation Unit
Michigan Department of Treasury
P.O. Box 30058
Lansing, MI 48909***

Please assemble your return and attachments in the following order, beginning on top:

1. *Farmland Preservation Tax Credit* (form C-8022).
2. *Single Business Tax Annual Return* (form C-8000), if you are applying this credit to your SBT liability.
3. A copy of page 1 of your 1997 *U.S. 1120*, *U.S. 1120S* or *U.S. 1041* and all supporting schedules.
4. A copy of any recorded Farmland Development Rights Agreement(s) (FDRAs) not claimed on your previous year's return.
5. 1997 property tax statement(s) for property covered by an FDRA.
6. An official allocation of your tax statement amount between property subject to an FDRA and property not covered by an FDRA.
7. A copy of the receipt showing payment of 1996 or 1997 property taxes.